

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /132 W  
-----081883 200015Z /15

R 182032Z JUL 78  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC 8830  
INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A  
TAGS: EINV, EMIN, ENRG, EC  
SUBJECT: GULF PLANS TO SELL ITS REFINERY

1. LOCAL GULF REPRESENTATIVES HAVE INFORMED THE EMBASSY THAT NEGOTIATIONS ARE NOW UNDER WAY WITH A GROUP OF ECUADOREAN BUSINESSMEN LED BY GUILLERMO AND EDUARDO SOSA TO SELL PETROLEOS GULF DEL ECUADOR (PGEC), GULF'S PETROLEUM REFINERY ON THE SANTA ELENA PENINSULA.

2. THE REFINERY, WITH A CURRENT REFINING CAPACITY OF 8,000 BPD, WAS PURCHASED BY GULF IN 1968. GULF HAS ALWAYS ADMINISTERED ITS REFINING OPERATION SEPARATELY FROM ITS PETROLEUM PRODUCING CORPORATION WHICH WAS TAKEN OVER BY THE STATE PETROLEUM CORPORATION (CEPE) EFFECTIVE THE END OF 1976 (ALTHOUGH THE BUY-OUT HAS NOT YETTERMINATED). THE GENERAL MANAGER OF THE PRODUCING CORPORTATION, HOWEVER, NOMINALLY OVERSEES THE REFINERY'S SUPERINTENDENT.

3. CEPE ASSUMED CONTROL OF 12.5 PERCENT OF THE REFINERY IN 1974 WHEN CEPE DICTATED THAT GULF SHOULD EXPAND THE REFINERY BY 1,000 BPD IN ORDER TO GIVE CEPE PARTIAL  
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OWNERSHIP. TO DATE, CEPE HAS NEVER PAID FOR THE EXPANSION.

4. THE REFINERY, ORIGINALLY DESIGNED TO OPERATE ON AN IMPORTED MIX, HAS OPERATED AT ONLY ABOUT 3/4 CAPACITY STARTING IN AUGUST 1977 WHEN CEPE FORCED GULF TO PROCESS ONLY ECUADOREAN CRUDE. SINCE THEN, THE REFINERY

HAS BEEN A MONEY LOSER AS GULF'S RETURN IS A DIRECT  
FUNCTION OF TOTAL OUTPUT. PROMISED RELIEF BY THE  
MINISTRY OF NATURAL RESOURCES HAS OT BEEN FORTHCOMING.

5. THE ECUADOREAN GROUP INTERESTED IN PURCHASING THE  
REFINERY IS NOW ASSOCIATED WITH GULF IN CELSA AND  
LUBRIEQUIPOS, TWO DIVISIONS UNDER THE ADMINISTRATIVE  
CONTROL OF PGEC. CELSA IMPORTS LUBRICANT RAW MATERIALS  
IN BULK, AND LUBRIEQUIPOS BLENDS AND DISTRIBUTES THEM.  
GULF HOPES TO RETAIN OWNERSHIP OF CELSA AND LUBRI-  
EQUIPOS BY SELLING ONLY THE PETROLEUM REFINING DIVISION  
OF PGEC, AS GULF BELIEVES THAT RETENTION OF THE  
LUBRICANT BUSINESS WOULD BE PROFITABLE. CURRENTLY  
SUCH CORPORATIONS AS CEPE, ESSO, SHELL, MOBIL, AND  
CASTROIL HAVE LUBRICANT OPERATIONS IN ECUADOR.

6. GULF EXPECTS TO CLEAR ABOUT \$500,000 ON THE SALE  
AFTER ALL DEBTS AND WORKER INDEMNITIES (ABOUT \$700,000-  
\$800,000) ARE PAID OFF. THE ECUADOREAN GROUP PURCHASING  
THE REFINERY EXPECTS TO TURN A PROFIT WITH THE  
COOPERATION OF THE GOE.

7. ONCE AN AGREEMENT IN PRINCIPLE IS REACHED WITH THE  
ECUADOREAN GROUP, GULF WILL NOTIFY CEPE AND THE NATURAL  
RESOURCES MINISTRY OF THE EXPECTED SALE, AS A NON-  
OBLIGATORY COURTESY.  
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8. COMMENT: IF GULF IS ABLE TO FINALIZE THE DEAL, A  
POSSIBLE FUTURE IRRITANT IN U.S.-ECUADOREAN RELATIONS  
WILL BE REMOVED.  
CORR

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GULFS  
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**Decaption Date:** 01 jan 1960  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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**Disposition Reason:**  
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**Document Unique ID:** 00  
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**Executive Order:** N/A  
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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**TAGS:** EINV, EMIN, ENRG, EC  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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